Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

Message Text

PAGE 01 STATE 120918

15
ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-07 H-02 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 INR-07 INT-05

L-02 NSAE-00 NSC-05 OMB-01 PM-03 USIA-06 SAM-01

OES-03 SP-02 SS-15 STR-04 TRSE-00 FRB-03 CEQ-01

OFA-01 EPA-01 IO-10 NSF-01 /107 R

DRAFTED BY EUR/CAN:LFJANOWSKI:MGH
APPROVED BY EUR:RDVINE
EUR/CAN:DAKRUSE
EB/ORF/FSE:LRAICHT
---------- 038594
R 231620Z MAY 75
FM SECSTATE WASHDC
TO AMEMBASSY OTTAWA
INFO AMCONSUL VANCOUVER

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E.O. 11652: N/A
TAGS: SENV, ENRG, CA
SUBJECT: TRANSPORTATION OF ALASKAN OIL--STATUS OF UNITED STATES LEGISLATION AND ALTERNATIVE PORT

REF: OTTAWA 1872

1. DEPARTMENT HAS SPOKEN WITH DAVID STEPHENS, ASSISTANT TO WASHINGTON'S GOVERNOR EVANS FOR ENERGY AND TRANSPORTATION AFFAIRS, AND ASKED HIS VIEWS ON STATUS OF ALTERNATIVE PORT PROPOSALS AND VALIDITY OF OIL COMPANY ESTIMATES. STEPHENS INDICATED THAT IT WAS HIGHLY UNLIKELY THAT THE STATE LEGISLATURE WOULD PASS AN ENERGY PACKAGE DURING THIS SESSION DESPITE EXECUTIVE PRESSURE TO DO SO, THAT IT WAS UNLIKELY THAT A WASHINGTON STATE OIL PORT AUTHORITY WILL
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PAGE 02 STATE 120918

BE ESTABLISHED THIS YEAR, AND THAT IT WAS ALSO HIGHLY UNLIKELY THAT WASHINGTON STATE WOULD ENACT LEGISLATION TAXING IMPORTS OF OIL BEYOND REGIONAL NEEDS. STEPHENS INDICATED THAT FURTHER STUDY OF THE MANY FACTORS INVOLVED

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

WOULD BE NECESSARY FOR A VARIETY OF REASONS AND THAT REVISED PROPOSALS WOULD PROBABLY BE PLACED BEFORE THE LEGISLATURE NEXT JANUARY. HE INDICATED THAT THE EXECUTIVE ENVISAGED REGULAR MEETINGS WITH THE LEGISLATIVE COMMITTEE IN THE INTERIM TO ASSURE COOPERATION AND PROMPT ACTION.

2. ON THE AFFIRMATIVE SIDE, STEPHENS INDICATED THAT THE

HOUSE HAD PASSED LEGISLATION AND THAT THE SENATE WOULD PROBABLY DO SO WHICH WOULD CREATE A ONE-YEAR MORATORIUM ON THE CONSIDERATION OF SHELL OIL'S PROPOSAL TO BUILD A SEA ISLAND NEAR THEIR ANACORTES REFINERY TO RECEIVE VLCC'S. (SEE MAY 14 HANSARD FOR QUERY FROM MUNRO TO SAUVE). HE ALSO CONFIRMED THAT SOHIO HAD DECIDED TO MOVE ITS ALASKAN CRUDE TO THE LOS ANGELES AREA FOR REFINING AND ONWARD TRANSPORTATION. AS SOHIO HAS RIGHTS TO 50 PERCENT OF ORIGINAL 1.2 MILLION BARREL FLOW OF TAPS OIL, DECISION COUPLED WITH OPPOSITION IN WASHINGTON STATE CLEARLY REDUCES POSSIBILITY THAT PUGET SOUND AREA WILL BE REFINING AND TRANSPORT CENTER FOR OTHER THAN REGIONAL NEEDS IN NEAR TO MID RANGE FUTURE. STEPHENS ALSO STATED THAT SOHIO'S DECISION WOULD NOT AFFECT DECISION ON VIABILITY OF OFFSHORE PORT. SOHIO DECISION WILL ALSO RESULT IN LARGE PERCENTAGE OF TANKERS USING ROUTES FURTHER REMOVED FROM BC COAST.

3. STEPHENS NOTED THAT ORIGINAL ESTIMATE OF COSTS FOR OFFSHORE FACILITY BY OCEANOGRAPHIC COMMISSION WAS TOTAL DIRECT SYSTEM COST. HE NOTED THAT OIL COMPANIES HAVE CHARACTERIZED THIS FIGURE AS ACTUAL TOTAL COST OF PROPOSAL AND ARE DOING EXTENSIVE LOBBYING IN OPPOSITION. STATE ESTIMATE OF TOTAL COSTS OF PORT ANGELES FACILITY APPROXIMATELY $95 MILLION AS OPPOSED TO SHELL'S $180 MILLION ESTIMATE. WASHINGTON STATE VIEWS COMPANY'S ESTIMATES AS HIGH, AND IT IS LIKELY THAT NEXT SIX MONTHS WILL PRODUCE REFINED FIGURES ON COST. STEPHENS ALSO
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INDICATED THAT TRANSMOUNTAIN PIPELINE HAS ENTERED ARENA WITH PROPOSAL TO CONSTRUCT AN OFFLOADING FACILITY AT BURROWS BAY AT COST OF $44 MILLION.

4. EMBASSY MAY WISH TO POINT OUT TO GOC IMPORTANCE THAT WASHINGTON STATE PLACES ON THE DEVELOPMENT OF COMPREHENSIVE APPROACH TO ENERGY NEEDS AND THE OBVIOUS DIFFICULTIES INVOLVED. EMBASSY MAY ALSO WISH TO REITERATE OUR VIEW THAT OUR ANALYSIS CLEARLY INDICATES THAT CANADA'S FUTURE WEST COAST ENERGY NEEDS WILL REQUIRE IMPORTS OF CRUDE BY SEA TO THE AREA. WE HOPE THAT THIS WILL BE A SUBJECT OF DISCUSSION BETWEEN GOC AND BC OFFICIALS DURING THEIR JUNE 11 MEETING, AND THAT THIS WILL BE A SUB-

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006

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JECT OF FURTHER STUDY BY CANADIAN OFFICIALS. INGERSOLL

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Message Attributes

Automatic Decaptioning: X
Capture Date: 26 AUG 1999
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, LEGISLATIVE BILLS, OFFSHORE DRILLING, PETROLEUM PIPELINES, PORT AUTHORITY
Control Number: n/a
Copy: SINGLE
Draft Date: 23 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE120918
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/CAN:LFJANOWSKI:MGH
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Film Number: D750183-0352
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t197505103/baaaakpk.tel
Line Count: 112
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAY 2003 by BoyleJA>; APPROVED <26 SEP 2003 by ElyME>
Review Markings:

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05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> jms 971014
Subject: n/a
TAGS: ENRG, SENV, CA, US
To: OTTAWA INFO VANCOUVER
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006